

***Hand Delivered***

April 1, 2003

Mary L. Cottrell, Secretary  
Dept. of Telecommunications and Energy  
1 South Station  
Boston, MA 02110

Re: KeySpan Energy Delivery New England, D.T.E. 01-105

Dear Ms. Cottrell:

On January 30, 2003, the Department issued an order in the above referenced docket approving KeySpan Energy Delivery New England's ("KeySpan") Long Range Resource and Requirements Plan for the period 2001/2002 through 2005/2006. In that order, at page 45, the Department directed KeySpan to submit a report regarding the status of 35,000 MMBtu/day of pipeline capacity released by Boston Gas Company ("Boston Gas") to Enron Capital and Trade Resources Corp. ("Enron") in 1997 as part of a Canadian contract-restructuring plan with Imperial Gas Resources, Corp. approved by the Department in Boston Gas Company, D.T.E. 97-104 (1997). Pursuant to the terms of that arrangement, the capacity was returned to KeySpan in 2002 as a result of the Enron bankruptcy proceedings.

As of November 1, 2002, the Enron capacity was included as part of the Company's portfolio of assets that are now managed by Entergy- Koch Trading L.P. ("EKT"). Under the portfolio-management arrangement, the Company releases or assigns certain of its upstream gas resource contracts to EKT and EKT is obligated to make available to the Company the capacity resources required to meet the Company's firm sendout requirements on a day-to-day basis. EKT is allowed to utilize the assigned contracts to the extent that those contracts are not needed to meet the Company's firm requirements on any given day. In return, EKT pays KeySpan a guaranteed management fee. To maximize the value that could be obtained for the Enron capacity, the Company included the capacity in the contracts released to EKT. Therefore, the value of the Enron capacity

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is reflected in the fee that KeySpan is receiving from EKT. That value will be conveyed to the Company's customers as an offset to the fixed-demand charges associated with the Company's resource portfolio. The Enron capacity will continue to be managed in this fashion through March 31, 2004, which is the next point in time that KeySpan will have an opportunity to review and modify its agreement with EKT.

Please let me know if the Department requires any additional information on this matter.

Very truly yours,

Thomas P. O'Neill

TPO/ca

cc: M. Kathryn Sedor, Hearing Officer  
Andreas Thanos, Gas Division  
Alexander Kofitse, Gas Division  
Timothy Cargill, Gas Division  
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